

Labor organization including self-employed members. The inclusion of some self-employed persons in the membership of a qualified labor organization does not affect the organization's exempt status under section 501(c)(5) of the Code.

Advice has been requested whether a nonprofit organization which otherwise qualifies for exemption from Federal income tax under section 501(c)(5) of the Internal Revenue Code of 1954, continues to qualify under the circumstances described below.

The organization was formed to better the conditions of its members who are all engaged in a particular trade. It carries out its purposes by working for better wages and working conditions. Most of the members are employees. However, some members work for themselves rather than for the employers with whom the organization negotiates. The organization states that the self-employed are members since they believe that the organization's activities better their conditions.

Section 501(c)(5) of the Code provides for exemption from Federal income tax of labor organizations.

Section 1.501(c)(5)-1(a) of the Income Tax Regulations states that a labor organization described in section 501(c)(5) of the Code is one that has as an objective the betterment of the conditions of those engaged in labor.

Since the organization otherwise meets the requirements of exemption under section 501(c)(5) of the Code, and most of its members are employees, the inclusion of self-employed persons in the membership of this organization does not affect its exempt status.

Even though an organization considers itself within the scope of this Revenue Ruling, it must file an application on Form 1024, Exemption Application, in order to be recognized by the Service as exempt under section 501(c)(5) of the Code. The application should be filed with the District Director of Internal Revenue for the district in which is located the principal place of business or principal office of the organization. See section 1.501(a)-1 of the regulations.